LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION
Revision 1

March 31, 2017

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB518** by Darby (relating to the retention and use of sales tax revenue collected by certain retailers to provide job training and placement services to certain persons.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB518, Committee Report 1st House, Substituted: an impact of $0 through the biennium ending August 31, 2019.

There would be a negative impact of ($14,900,000) to the General Revenue Fund through the biennium ending August 31, 2021.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	$0
2019	$0
2020	($5,900,000)
2021	($9,000,000)
2022	($9,300,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from *General Revenue Fund* 1
2018	$0
2019	$0
2020	($5,900,000)
2021	($9,000,000)
2022	($9,300,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code, to provide for retention of state sales and use tax revenue by certain retailers.

This bill would add a new Section 151.433 authorizing a qualifying organization to retain, subject to a $1 million annual maximum, 30 percent of its state sales tax collections on sales during the first year after its certifications as a qualifying organization, and 50 percent of its state sales tax collections on sales during years thereafter. The amounts retained would be required to be used for provision of job training and placement services to certain persons with disabilities or other barriers to employment. A qualifying organization would be a retailer certified by the Comptroller as having met the requirements of a workforce training community center.

A workforce training community center would be a retailer listed as an exempt organization under Section 501(c)(3) of the Internal Revenue Code that collects and remits sales taxes on the sale of donated goods; has experience in assisting persons with disabilities with job training and placement services and uses a portion of its revenue to provide those services; and has annual sales of at least $1 million.

The Comptroller may require qualifying organizations, after their first year of certification and at the conclusion of the three-year certification period, to demonstrate their adherence to the program's requirements. Certification as a qualifying organization may be renewed.

The Comptroller could not certify a retailer as a qualifying organization before September 1, 2019, and the authorization to retain sales taxes would apply only to taxes collected by a qualifying organization on or after that date.

The bill would take effect September 1, 2018.

Methodology

Data were gathered from Comptroller tax files regarding the amount of sales tax remitted by certain retailers that may be subject to the provisions of the bill. State sales tax remittances of that sample of organizations were projected through 2022; the estimates for each organization were evaluated at 30 percent for fiscal 2018 and 50 percent for years thereafter, and the lesser of those amounts for each organization for each year or $1 million used to sum the total amount of retention by all qualifying organizations by year. It is assumed that all qualifying organizations would receive certification in time to begin retaining tax revenue for sales after the effective date of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated. The bill specifically states that qualifying organizations shall continue to remit the full amount of sales taxes imposed by units of local governments.

Source Agencies: 304 Comptroller of Public Accounts

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